

**MEMORANDUM OF UNDERSTANDING
BETWEEN**

**THE UNITED STATES OF AMERICA
(UNITED STATES)**

AND

**THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF
THE PEOPLE'S REPUBLIC OF CHINA
(HONG KONG SPECIAL ADMINISTRATIVE REGION)**

CONCERNING COOPERATION IN TRADE IN TEXTILE AND APPAREL GOODS

WHEREAS the Governments of the Hong Kong Special Administrative Region and the United States (the "Parties") acknowledge and respect one another's laws, regulations, and procedures affecting trade in textile and apparel goods;

WHEREAS the Parties share the objective of eliminating violations of their respective laws, regulations, and procedures affecting trade in textile and apparel goods, and in particular of eliminating violations that disrupt legitimate trade in textile and apparel goods;

WHEREAS the Parties are committed to cooperating with respect to the textile-specific safeguard actions taken by a Party;¹ and

WHEREAS the Parties recognize that such cooperation furthers their mutual aim of facilitating legitimate trade in textile and apparel goods between them by allowing the Parties to focus their

¹ This paragraph refers to actions taken under paragraph 242 of the Report of the Working Party on the Accession of China to the World Trade Organization.

enforcement efforts.

NOW, THEREFORE, the Parties decide as follows:

1. As set out in greater detail in paragraphs below, the Parties will cooperate for the purposes of:
 - (a) enforcing their respective laws, regulations, and procedures affecting trade in textile and apparel goods; and
 - (b) ensuring the accuracy of claims that textile and apparel goods originated in the jurisdiction of a Party in accordance with its laws, regulations, and procedures.
2. As soon as practicable after receiving a request from the importing Party, and based on information that the importing Party provides, the exporting Party will conduct a verification visit to a factory in its jurisdiction to determine whether a claim or declaration that textile and apparel goods produced by the factory originated in and were exported from the jurisdiction of the exporting Party was made in accordance with the laws of the exporting Party. The information to be provided by the importing Party will include any origin certification documentation issued by competent authorities of the exporting Party or other documents indicating that the goods originated in and were exported from the jurisdiction of the exporting Party. The exporting Party will notify the importing Party of the results of the verification visit as soon as practicable after completing the visit.
3. As soon as practicable after receiving a request from the importing Party, and based on

information that the importing Party provides, the exporting Party will conduct an examination of specific shipments of textile and apparel goods from its jurisdiction to determine whether a claim or declaration that the goods originated in and were exported from the jurisdiction of the exporting Party was made in accordance with the laws of the exporting Party. The information to be provided by the importing Party will include any origin certification documentation issued by competent authorities of the exporting Party or other documents indicating that the goods originated in and were exported from the jurisdiction of the exporting Party. The exporting Party will notify the importing Party of the results of the examination as soon as practicable after completing the examination.

4. On request, a Party will provide information to the other Party regarding the results of actions that it takes under paragraphs 2 and 3.

5. Each Party will preserve the confidentiality of all non-public information it receives pursuant to this Memorandum of Understanding ("MOU") in accordance with its laws.

6. A Party may conduct Joint Factory Observation Visits ("JVs") with the other Party to textile and apparel factories in the jurisdiction of the other Party. The procedures by which the Parties will conduct JVs under this MOU are contained in the Annex ("Guidelines for Cooperation in Joint Factory Observation Visits") attached hereto.

7. The Parties are committed to giving due facilitation for customs clearance of bona fide and compliant textile and apparel goods, and to this end each Party will seek to facilitate the

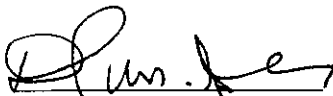
entry of such legitimate textile and apparel goods and will ensure that such legitimate trade is not unduly impeded, having regard to the provisions of this MOU and the control and origin certification programs of the exporting Party.


8. Where permitted by its laws, each Party will consider on a case-by-case basis requests by the other Party for information reflected in documents, such as bills of lading, contracts, or invoices, that supports a claim of origin for textile and apparel goods.

9. The Parties will consult annually, unless they agree otherwise, to discuss cooperation matters under this MOU.

10. This MOU will become effective on signature by both Parties, and will remain in effect until December 31, 2008. A Party may terminate this MOU before its expiry by giving the other Party thirty days' written notice.

Signed in duplicate in the English language on this 1st day of August, 2005.


Government of the
United States of America


Government of the Hong Kong Special
Administrative Region

ANNEX

GUIDELINES FOR COOPERATION IN JOINT FACTORY OBSERVATION VISITS

- A. A Joint Factory Observation Visit ("JV") to a factory in the jurisdiction of a Party, as discussed in paragraph 6 of the Memorandum of Understanding ("MOU"), may be performed when such factory is suspected to be involved in falsely claiming that textile and apparel goods originated in and were exported from the jurisdiction of a Party, where such goods are in the same categories as goods subject to measures applied by the other Party under paragraph 242 of the Report of the Working Party on the Accession of China to the World Trade Organization. Such a suspicion may arise where a factory:
1. falsely identifies the country of origin of a good;
 2. describes a good subject to such measures as if it were not subject to such measures;
 3. submits counterfeit documents; or
 4. otherwise makes a false statement or provides inaccurate documentation regarding a transaction.
- B. The Parties recognize that JVs are highly selective in nature and risk-driven, and that neither Party will conduct unnecessary and overly burdensome JVs.
- C. There may be legitimate business realities that cause trade in textile and apparel goods to increase or factories to expand their operations by manufacturing various categories of goods. The Parties will make every effort to consider such business realities before requesting JVs.
- D. Shipments to be reviewed in the course of a JV should cover textile and apparel goods that are in the same categories as goods subject to the measures referred to in paragraph A of these Guidelines that are in force or that expired not more than three months before the commencement of the JV.
- E. A Party that wishes to conduct a JV (the "requesting Party") will provide a written request at least 15 days in advance of the intended visit to the responsible officials of the competent authorities of the other Party. The Party receiving the request (the "requested Party") will consider the request in light of the information provided therein and will, no later than seven days after it receives the request, inform the requesting Party whether it accepts or refuses the request.
- F. If the requested Party accepts a request, the Parties will:
1. schedule a mutually acceptable time to conduct the JV;
 2. jointly select the factories to be visited;

3. discuss the logistics of the visit prior to the commencement of the JV; and
 4. discuss the results of the JV and further action to be taken, as appropriate, following the JV.
- G. A JV will only be made to factories registered under the laws of the requested Party.
- H. The responsible officials of the requested Party will provide the factory that is the subject of a request a notice of the request 48 hours in advance of the intended commencement of the JV, and will seek permission from a responsible person of such factory to conduct the JV. A factory will have the right to refuse a request for a JV.
- I. If a factory gives permission to conduct a JV, the JV will be conducted jointly by the Parties. However, only representatives of the requested Party may review books and records of the factory to determine whether the factory is operating in accordance with its laws regarding claims of origin of the requested Party.
- J. The Parties will prepare, for statistical purposes, a report of the agreed results of each JV.
- K. The Parties will preserve the confidentiality of the results of, and information obtained from, a JV.